
A BILL FOR AN ACT

RELATING TO STATE BONDS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Declaration of findings with respect to the
2 general obligation bonds authorized by this Act. Pursuant to
3 article VII, section 13, of the state constitution, which
4 states: "Effective July 1, 1980, the legislature shall include
5 a declaration of findings in every general law authorizing the
6 issuance of general obligation bonds that the total amount of
7 principal and interest, estimated for such bonds and for all
8 bonds authorized and unissued and calculated for all bonds
9 issued and outstanding, will not cause the debt limit to be
10 exceeded at the time of issuance", the legislature finds and
11 declares as follows:

- 12 (1) Limitation on general obligation debt. The debt limit
13 of the State is set forth in article VII, section 13,
14 of the state constitution, which states in part:
15 "General obligation bonds may be issued by the State;
16 provided that such bonds at the time of issuance would
17 not cause the total amount of principal and interest



1 payable in the current or any future fiscal year,
2 whichever is higher, on such bonds and on all
3 outstanding general obligation bonds to exceed: a sum
4 equal to twenty percent of the average of the general
5 fund revenues of the State in the three fiscal years
6 immediately preceding such issuance until June 30,
7 1982; and thereafter, a sum equal to eighteen and one-
8 half percent of the average of the general fund
9 revenues of the State in the three fiscal years
10 immediately preceding such issuance." Article VII,
11 section 13, of the state constitution also provides
12 that in determining the power of the State to issue
13 general obligation bonds, certain bonds are
14 excludable, including "[r]eimbursable general
15 obligation bonds issued for a public undertaking,
16 improvement or system but only to the extent that
17 reimbursements to the general fund are in fact made
18 from the net revenue, or net user tax receipts, or
19 combination of both, as determined for the immediately
20 preceding fiscal year" and bonds constituting
21 instruments of indebtedness under which the State



incurs a contingent liability as a guarantor, but only to the extent the principal amount of those bonds does not exceed seven per cent of the principal amount of outstanding general obligation bonds not otherwise excluded under said article VII, section 13, of the state constitution.

(2) Actual and estimated debt limits. The limit on principal and interest of general obligation bonds issued by the State, actual for fiscal year 2018-2019 and estimated for each fiscal year from 2019-2020 to 2022-2023, is as follows:

<u>Fiscal</u> <u>Year</u>	<u>Net General</u> <u>Fund Revenues</u>	<u>Debt Limit</u>
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For fiscal years 2018-2019, 2019-2020, 2020-2021, 2021-2022, and 2022-2023, respectively, the debt limit is derived by multiplying the average of the net general fund revenues for the three preceding fiscal years by eighteen and one-half per cent. The net general fund revenues for fiscal years 2015-2016, 2016-2017, and 2017-2018 are actual, as certified by the director of finance in the Statement of the Debt



1 Limit of the State of Hawaii as of July 1, 2018, dated
2 , 2018. The net general fund revenues for
3 fiscal years 2018-2019 to 2021-2022 are estimates,
4 based on general fund revenue estimates made as of
5 , 2019, by the council on revenues, the body
6 assigned by article VII, section 7, of the state
7 constitution to make such estimates, and based on
8 estimates made by the department of budget and finance
9 of those receipts that cannot be included as general
10 fund revenues for the purpose of calculating the debt
11 limit, all of which estimates the legislature finds to
12 be reasonable.

13 (3) Principal and interest on outstanding bonds applicable
14 to the debt limit.

15 (A) According to the department of budget and
16 finance, the total amount of principal and
17 interest on outstanding general obligation bonds,
18 after the exclusions permitted by article VII,
19 section 13, of the state constitution, for
20 determining the power of the State to issue
21 general obligation bonds within the debt limit as



1 of April 1, 2019, is as follows for fiscal year
2 2019-2020 to fiscal year 2025-2026:

3 Fiscal	Principal
4 <u>Year</u>	<u>and Interest</u>

5
6 The department of budget and finance further
7 reports that the amount of principal and interest
8 on outstanding bonds applicable to the debt limit
9 generally continues to decline each year from
10 fiscal year 2026-2027 to fiscal year 2036-2037
11 when the final installment of \$ shall be
12 due and payable.

13 (B) The department of budget and finance further
14 reports that the outstanding principal amount of
15 bonds constituting instruments of indebtedness
16 under which the State may incur a contingent
17 liability as a guarantor is \$, all or
18 part of which is excludable in determining the
19 power of the State to issue general obligation
20 bonds, pursuant to article VII, section 13, of
21 the state constitution.



1 (4) Amount of authorized and unissued general obligation
2 bonds and guaranties and proposed bonds and
3 guaranties.

4 (A) As calculated from the state comptroller's bond
5 fund report as of , 2019, adjusted for:

6 (i) Appropriations to be funded by general
7 obligation bonds or reimbursable general
8 obligation bonds as provided in House Bill
9 No. (the General Appropriations Act
10 of 2019);

11 (ii) Lapses as provided in House Bill No.
12 (the General Appropriations Act of
13 2019);

14 (iii) Appropriations to be funded by general
15 obligation bonds or reimbursable general
16 obligation bonds as provided in Senate Bill
17 No. (the Judiciary Appropriations
18 Act of 2019); and

19 (iv) Lapses as provided in Senate Bill No.
20 (the Judiciary Appropriations Act of
21 2019);



1 the total amount of authorized but unissued
2 general obligation bonds is \$. The total
3 amount of general obligation bonds authorized in
4 this Act is \$. The total amount of
5 general obligation bonds previously authorized
6 and unissued, as adjusted, and the general
7 obligation bonds authorized in this Act is
8 \$.

9 (B) As reported by the department of budget and
10 finance the outstanding principal amount of bonds
11 constituting instruments of indebtedness under
12 which the State may incur a contingent liability
13 as a guarantor is \$, all or part of which
14 is excludable in determining the power of the
15 State to issue general obligation bonds, pursuant
16 to article VII, section 13, of the state
17 constitution.

18 (5) Proposed general obligation bond issuance. As
19 reported therein for the fiscal years 2018-2019, 2019-
20 2020, 2020-2021, 2021-2022, and 2022-2023, the State
21 proposes to issue \$ in general obligation



1 bonds during the second half of fiscal year 2018-2019,
2 \$ in general obligation bonds semiannually
3 during fiscal years 2019-2020 and 2020-2021, and
4 \$ in general obligation bonds semiannually
5 during fiscal years 2021-2022 and 2022-2023.

6 Generally, it has been the practice of the State to
7 issue twenty-year serial bonds with principal
8 repayments beginning in the third year, the bonds
9 payable in substantially equal annual installments of
10 principal and interest payment with interest payments
11 commencing six months from the date of issuance and
12 being paid semi-annually thereafter. It is assumed
13 that this practice will continue to be applied to the
14 bonds that are proposed to be issued.

15 (6) Sufficiency of proposed general obligation bond
16 issuance to meet the requirements of authorized and
17 unissued bonds, as adjusted, and bonds authorized by
18 this Act. From the schedule reported in paragraph
19 (5), the total amount of general obligation bonds that
20 the State proposes to issue during the fiscal years
21 2018-2019 to 2021-2022 is \$. An additional



1 \$ is proposed to be issued in fiscal year
2 2022-2023. The total amount of \$ that is
3 proposed to be issued through fiscal year 2021-2022 is
4 sufficient to meet the requirements of the authorized
5 and unissued bonds, as adjusted, the total amount of
6 which is \$ reported in paragraph (4), except
7 for \$. It is assumed that the appropriations
8 to which an additional \$ in bond issuance
9 needs to be applied will have been encumbered as of
10 June 30, 2022. The \$ that is proposed to be
11 issued in fiscal year 2022-2023 will be sufficient to
12 meet the requirements of the June 30, 2022,
13 encumbrances in the amount of \$. The amount
14 of assumed encumbrances as of June 30, 2022, is
15 reasonable and conservative, based upon an inspection
16 of June 30 encumbrances of the general obligation bond
17 fund as reported by the state comptroller. Thus,
18 taking into account the amount of authorized and
19 unissued bonds, as adjusted, and the bonds authorized
20 by this Act versus the amount of bonds proposed to be
21 issued by June 30, 2022, and the amount of June 30,



1 2022, encumbrances versus the amount of bonds proposed
2 to be issued in fiscal year 2022-2023, the legislature
3 finds that in the aggregate, the amount of bonds
4 proposed to be issued is sufficient to meet the
5 requirements of all authorized and unissued bonds and
6 the bonds authorized by this Act.

7 (7) Bonds excludable in determining the power of the State
8 to issue bonds. As noted in paragraph (1), certain
9 bonds are excludable in determining the power of the
10 State to issue general obligation bonds.

11 (A) General obligation reimbursable bonds can be
12 excluded under certain conditions. It is not
13 possible to make a conclusive determination as to
14 the amount of reimbursable bonds which are
15 excludable from the amount of each proposed bond
16 issued because:

17 (i) It is not known exactly when projects for
18 which reimbursable bonds have been
19 authorized in prior acts and in this Act
20 will be implemented and will require the



1 application of proceeds from a particular
2 bond issue; and

3 (ii) Not all reimbursable general obligation
4 bonds may qualify for exclusion.

5 However, the legislature notes that with respect
6 to the principal and interest on outstanding
7 general obligation bonds, according to the
8 department of budget and finance, the average
9 proportion of principal and interest that is
10 excludable each year from the calculation against
11 the debt limit is per cent for

12 approximately ten years from fiscal year 2018-
13 2019 to fiscal year 2027-2028. For the purpose
14 of this declaration, the assumption is made that

15 per cent of each bond issue will be
16 excludable from the debt limit, an assumption
17 that the legislature finds to be reasonable and
18 conservative.

19 (B) Bonds constituting instruments of indebtedness
20 under which the State incurs a contingent
21 liability as a guarantor can be excluded, but



1 only to the extent the principal amount of those
2 guaranties does not exceed seven per cent of the
3 principal amount of outstanding general
4 obligation bonds not otherwise excluded under
5 subparagraph (A) of this paragraph (7); and
6 provided that the State shall establish and
7 maintain a reserve in an amount in reasonable
8 proportion to the outstanding loans guaranteed by
9 the State as provided by law. According to the
10 department of budget and finance and the
11 assumptions presented herein, the total principal
12 amount of outstanding general obligation bonds
13 and general obligation bonds proposed to be
14 issued, which are not otherwise excluded under
15 article VII, section 13, of the state
16 constitution for the fiscal years 2018-2019,
17 2019-2020, 2020-2021, 2021-2022, and 2022-2023
18 are as follows:



<u>Fiscal Year</u>	<u>Total amount of General Obligation Bonds not otherwise excluded by Article VII, Section 13 of the State Constitution</u>
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Based on the foregoing and based on the assumption that the full amount of a guaranty is immediately due and payable when such guaranty changes from a contingent liability to an actual liability, the aggregate principal amount of the portion of the outstanding guaranties and the guaranties proposed to be incurred, which does not exceed seven per cent of the average amount set forth in the last column of the above table and for which reserve funds have been or will have been established as heretofore provided, can be excluded in determining the power of the State to issue general obligation bonds. As it is not possible to predict with a reasonable degree of certainty when a guaranty will change from a contingent liability to an actual liability, it is assumed in conformity with fiscal conservatism and prudence, that all guaranties not otherwise excluded pursuant to article VII,



1 section 13, of the state constitution will become due
2 and payable in the same fiscal year in which the
3 greatest amount of principal and interest on general
4 obligation bonds, after exclusions, occurs. Thus,
5 based on such assumptions and on the determination in
6 paragraph (8), all of the outstanding guaranties can
7 be excluded.

8 (8) Determination whether the debt limit will be exceeded
9 at the time of issuance. From the foregoing and on
10 the assumption that all of the bonds identified in
11 paragraph (5) will be issued at an interest rate not
12 to exceed per cent in fiscal years 2019 through
13 2023, it can be determined from the following schedule
14 that the bonds that are proposed to be issued, which
15 include all authorized and unissued bonds previously
16 authorized, as adjusted, general obligation bonds, and
17 instruments of indebtedness under which the State
18 incurs a contingent liability as a guarantor
19 authorized in this Act, will not cause the debt limit
20 to be exceeded at the time of such issuance:



			Greatest Amount
	Time of Issuance		and Year of
	and Amount to be	Debt Limit	Highest Principal
	Counted Against	at Time of	and Interest
	<u>Debt Limit</u>	<u>Issuance</u>	<u>on Bonds and Guaranties</u>

(9) Overall and concluding finding. From the facts, estimates, and assumptions stated in this declaration of findings, the conclusion is reached that the total amount of principal and interest estimated for the general obligation bonds authorized in this Act, and for all bonds authorized and unissued, and calculated for all bonds issued and outstanding, and all guaranties, will not cause the debt limit to be exceeded at the time of issuance.

SECTION 2. The legislature finds the bases for the declaration of findings set forth in this Act are reasonable. The assumptions set forth in this Act with respect to the principal amount of general obligation bonds that will be issued, the amount of principal and interest on reimbursable general obligation bonds that are assumed to be excludable, and the assumed maturity structure shall not be deemed to be



1 binding, it being the understanding of the legislature that such
2 matters must remain subject to substantial flexibility.

3 SECTION 3. Authorization for issuance of general
4 obligation bonds. General obligation bonds may be issued as
5 provided by law in an amount that may be necessary to finance
6 projects authorized in House Bill No. (the General
7 Appropriations Act of 2019) and Senate Bill No. (the
8 Judiciary Appropriations Act of 2019); passed by the legislature
9 during this regular session of 2019 and designated to be
10 financed from the general obligation bond fund and from the
11 general obligation bond fund with debt service cost to be paid
12 from special funds; provided that the sum total of general
13 obligation bonds so issued shall not exceed \$.

14 Any law to the contrary notwithstanding, general obligation
15 bonds may be issued from time to time in accordance with section
16 39-16, Hawaii Revised Statutes, in such principal amount as may
17 be required to refund any general obligation bonds of the State
18 of Hawaii heretofore or hereafter issued pursuant to law.

19 SECTION 4. The provisions of this Act are declared to be
20 severable and if any portion thereof is held to be invalid for



1 any reason, the validity of the remainder of this Act shall not
2 be affected.

3 SECTION 5. In printing this Act, the revisor of statutes
4 shall substitute in section 1 and section 3 the corresponding
5 act numbers for bills identified therein.

6 SECTION 6. This Act shall take effect on July 1, 2050.



Report Title:

State Bonds; State Budget

Description:

Authorizes issuance of general obligation bonds. Makes findings required by Article VII, Section 13, of the State Constitution to declare that the issuance of authorized bonds will not cause the debt limit to be exceeded. Effective 7/1/2050. (SD1)

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